

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
INDUSTRIAL DEVELOPMENT BONDS**

Meeting Date: January 23, 2008

Request for Initial and Final Resolution for Tax Exempt Bond Approval

Prepared by: *Deanna Hamelin*

Issuer:	Industrial Development Authority, City of Los Angeles	Amount Requested:	\$8,600,000
Borrower:	Madison/Graham ColorGraphics Interstate Services, Inc. and/or a related entity ("ColorGraphics" or "the Company")	Application No.:	08-0001
User:	ColorGraphics, Inc. and/or a related entity ("ColorGraphics" or "the Company")	IR & FR No.:	08-0001
Location:	City of Los Angeles (Los Angeles County)		

Borrower/User/Background: Madison/Graham ColorGraphics Interstate Services, Inc., dba ColorGraphics, Inc., was incorporated in 1969 in California. In July 2007, all of ColorGraphic's stock was acquired by Cenveo, Inc., which is a publicly traded company and which describes itself as the fifth largest diversified printing company in North America.¹ Cenveo describes ColorGraphics as one of the largest commercial printers in the western United States, with approximately \$170 million in annual revenues.²

The Company provides commercial printing services to customers from various industries. Its major customers include T-Mobile, Nintendo America, Nissan North America, Washington Mutual, and Subaru America.

Project Information: The Project consists of the purchase of a new MAN Roland eight-color web press commercial printer with 23 9/16" X 38" cutoffs and a normal run speed of 45,000 impressions per hour. The printer was installed at the Company's site at 150 North Myers Street in the City of Los Angeles.

Anticipated Timeline: The new MAN Roland press was purchased on December 20, 2006. Installation occurred in May 2007, and was followed by testing and training in June 2007. The press was placed into commercial service in July 2007.

Prior Actions/Financing: None

¹ From Cenveo, Inc.'s 2006 10-K

² From Cenveo, Inc.'s September 30, 2007 10-Q

Statutory Criteria: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification: Points have been awarded based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

Public Benefits: Consistent with CDLAC guidelines, the staff has awarded a total of 35 verifiable points to the Project. None of the 35 points assigned are based upon the creation or retention of jobs.

Relocation of Company Operations (No point evaluation required): The Company will remain at its current location in the City of Los Angeles.

QUALIFICATION OF BOND ISSUANCE (No point evaluation required): Based upon the proposed financial structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

Status Of Permit/Other Required Approvals:

- The Industrial Development Authority, City of Los Angeles, adopted an Inducement Resolution in an aggregate amount not to exceed \$10,000,000 for the Project on January 11, 2007.
- A TEFRA hearing was held by the Industrial Development Authority, City of Los Angeles, on February 16, 2007.
- The City Council of the City of Los Angeles approved the issuance of the bonds by the City's Industrial Development Authority for the Project on August 17, 2007.
- The proposed Project is an equipment purchase only, and therefore it does not require permits

Financing Details: The Industrial Development Authority, City of Los Angeles, will issue a tax-exempt bond on a private placement basis. GE Government Finance, Inc. (GEGF), which is a Qualified Institutional Buyer (QIB) as defined by the Securities and Exchange Commission's (SEC) Rule 144A, will purchase the bond. The bond:

- will be guaranteed by Madison/Graham ColorGraphics Interstate Services, Inc. and its parent company, Cenveo Corporation;
- will be used to pay off a taxable bridge loan from GEGF priced at 30 Day Libor + 1.50%, which was used to purchase the equipment (GEGF previously funded the bridge loan proceeds into an escrow account from which the equipment costs are being paid. At the time the escrow account is closed, all remaining funds therein will be applied to reduce the outstanding principal of the bridge loan.); and
- will have a fixed interest rate of 5.10% which is based on the five-year interest rate swap rate of 4.95% on December 4, 2006.

The bonds will be issued in accordance with CIDFAC's private placement policy, which has the following requirements:

- The bond purchaser must be a Sophisticated Investor as defined under SEC Rule 144A.
- The Sophisticated Investor must sign a “traveling” sophisticated investor letter, which will outline the requirements and restrictions and which will follow the deal in the event the bonds are sold or traded at a later date.
- The security of the private placement debt must be collateral provided by the Borrower.
- The bonds will be issued in minimum denominations of \$250,000.

Financing team:

Issuer: Industrial Development Authority, City
of Los Angeles

Bond Counsel: Fulbright & Jaworski L.L.P

Private Placement Purchaser: GE Government Finance, Inc.

Legal Questionnaire: The Staff has reviewed the Borrower’s/User’s responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicant.

Recommendation: Staff recommends approval of Initial and Final Resolution Nos. 08-0001 for an amount not to exceed \$8,600,000 in tax-exempt bonds for ColorGraphics, Inc., subject to staff analysis and approval of final bond documents, including bond counsel’s opinion, as set forth in Initial and Final Resolution Nos. 08-0001.

**MADISON/GRAHAM
COLORGRAPHICS INTERSTATE
SERVICES, INC. AND/OR A
RELATED ENTITY**

Bond Amount: \$8,600,000

City of Los Angeles (Los Angeles
County)

Application No. 08-0001

January 23, 2008

STAFF SUMMARY – CIDFAC

Prepared by: *Deanna Hamelin*

ISSUE:

On behalf of Madison/Graham ColorGraphics Interstate Services, Inc., dba ColorGraphics, Inc., and/or a related entity (“ColorGraphics” or the “Borrower”), the Industrial Development Authority of the City of Los Angeles requests approval of Initial Resolution and Final Resolution 08-0001 for an amount not to exceed \$8,600,000 in tax-exempt bonds. Bond proceeds will be used to purchase equipment.

CDLAC. The Company anticipates receiving allocation at the January 23, 2008 CDLAC meeting.

BORROWER/USER:

Madison/Graham ColorGraphics Interstate Services, Inc., dba ColorGraphics, Inc. was incorporated in 1969 in California. In July 2007, all of ColorGraphic’s stock was acquired by Cenvo, Inc., which is a publicly traded company and which describes itself as the fifth largest diversified printing company in North America.³ Cenvo describes ColorGraphics as one of the largest commercial printers in the western United States, with approximately \$170 million in annual revenues.⁴

The Company provides commercial printing services to customers from various industries. Its major customers include T-Mobile, Nintendo America, Nissan North America, Washington Mutual, and Subaru America.

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings. None

³ From Cenvo, Inc.’s 2006 10-K

⁴ From Cenvo, Inc.’s September 30, 2007 10-Q

PROJECT INFORMATION:

The Project is the purchase of a new MAN Roland eight-color web press commercial printer with 23 $\frac{9}{16}$ " X 38" cutoffs and a normal run speed of 45,000 impressions per hour. The printer was installed at the Company's site at 150 North Myers Street in the City of Los Angeles.

The anticipated Project and issuance costs are listed below:

Acquisition and Installation of New Equipment	<u>\$8,600,000</u>
Total:	<u>\$8,600,000</u>

Anticipated Timeline: The new MAN Roland press was purchased on December 20, 2006. Installation occurred in May 2007, and was followed by testing and training in June 2007. The press was placed into commercial service in July 2007.

Status Of Permit/Other Required Approvals:

- The Industrial Development Authority, City of Los Angeles adopted an Inducement Resolution in an aggregate amount not to exceed \$10,000,000 for the Project on January 11, 2007.
- A TEFRA hearing was held by the City of Los Angeles on February 16, 2007.
- The City Council of the City of Los Angeles approved the issuance of the bonds by the City's Industrial Development Authority for the Project on August 17, 2007
- The proposed Project is an equipment purchase and does not require permits.

STATUTORY CRITERIA: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification: Points have been awarded based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

- 1) **PUBLIC BENEFITS:** The staff assigned a total of 35 verifiable points to the Project, which are detailed below:

Community Economic Need (15 points):

Poverty Rate of Project Area (5 points): The poverty rate for the Project area is 31.8%, which is 300% of the statewide average of 10.6%.

Special Designation Area (5 points): The project area is a part of the Adelante Eastside Redevelopment Project area, which is located in the East Side State Enterprise Zone in the City of Los Angeles.

Median Family Income (5 points): The Project is located in the City of Los Angeles, census tract 2060.30, where the median family income is \$27,969. Given that the median family income for the State of California is \$53,025, the median family income for the Project area is 52.7% of the statewide average.

Employment Benefits (Job Creation/Retention = 0 points): Although this Project was not awarded points for job creation or job retention, the Company represents that it currently employs 169 individuals at the Project site and anticipates hiring an additional 20 employees within two years of completion of the Project.

Welfare-to-Work Plan (5 points): The Company provided a letter from Mr. Manny Chavez, Director of the Economic and Workforce Development Division of the City of Los Angeles, which verifies its participation in the city's WorkSource California Program. (See Attachment A).

Health Care Benefits (5 points): The Company provided documentation that it contributes to the medical insurance for 317 employees. The contribution translates into an average of \$507 per month toward the health care benefits for each employee.

Average Hourly Wage (5 points): The Company's average hourly wage is \$29.90, while the Metropolitan Statistical Area (MSA) for Los Angeles has an average manufacturing wage of \$ 14.54. Therefore, the Company's average hourly wage is 206% of the average manufacturing wage for the City of Los Angeles.

Public Transit Corridor (5 points): The Company provided verification that the Project is located within a public transit corridor. The Project site is served by several bus lines and the nearest stop is within ¼ mile of the site.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will remain at its current location.
- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed financial structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

FINANCING DETAILS:

The Industrial Development Authority, City of Los Angeles, will issue a tax-exempt bond on a private placement basis. GE Government Finance, Inc. (GEGF), which is a Qualified Institutional Buyer (QIB) as defined by the Securities and Exchange Commission's (SEC) Rule 144A, will purchase the bond. The bond:

- will be guaranteed by Madison/Graham ColorGraphics Interstate Services, Inc. and its parent company, Cenveo Corporation;
- will be used to pay off a taxable bridge loan from GEGF priced at 30 Day Libor + 1.50%, which was used to purchase the equipment (GEGF previously funded the bridge loan proceeds into an escrow account from which the equipment costs are being paid. At the time the escrow account is closed, all remaining funds therein will be applied to reduce the outstanding principal of the bridge loan.); and

- will have a fixed interest rate of 5.10% which is based on the five-year interest rate swap rate of 4.95% on December 4, 2006.

The bonds will be issued in accordance with CIDFAC's private placement policy, which has the following requirements:

- The bond purchaser must be a Sophisticated Investor as defined under SEC Rule 144A.
- The Sophisticated Investor must sign a "traveling" sophisticated investor letter, which will outline the requirements and restrictions and which will follow the deal in the event the bonds are sold or traded at a later date.
- The security of the private placement debt must be collateral provided by the Borrower.
- The bonds will be issued in minimum denominations of \$250,000.

FINANCING TEAM:

Issuer: Industrial Development Authority, City
of Los Angeles

Bond Counsel: Fulbright & Jaworski, L.L.P.

Private Placement Purchaser: GE Government Finance, Inc.

RECOMMENDATION:

Staff recommends approval of Initial and Final Resolution Nos. 08-0001 for an amount not to exceed \$8,600,000 in tax-exempt bonds for ColorGraphics, Inc., subject to staff analysis and approval of final bond documents, including bond counsel's opinion, as set forth in Initial and Final Resolution Nos. 08-0001.

INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR #: 08-0001

WHEREAS, the Industrial Development Authority, City of Los Angeles, has transmitted the application of Madison/Graham ColorGraphics Interstate Services Inc. and/or a related entity, for the issuance of \$8,600,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has informed the California Industrial Development Financing Advisory Commission (the Commission) that it has adopted a resolution declaring its intention to issue such bonds and that the Industrial Development Authority, City of Los Angeles, has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority, and that the City of Los Angeles has held a public hearing to approve the issuance of the tax exempt bonds; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the acquisition of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$8,600,000; and

(b) use of the Project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Escrow Agreement,
- (iii) Opinion of Bond Counsel
- (iv) Bond Resolution, and

(v) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

(b) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;

(c) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(d) that the Commission receive all applicable fees prior to the issuance of the bonds or that bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(e) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.

CITY OF LOS ANGELES
CALIFORNIA

RICHARD L. BENBOW
GENERAL MANAGER



ANTONIO R. VILLARAIGOSA
MAYOR

**COMMUNITY DEVELOPMENT
DEPARTMENT**

1200 W. 7TH STREET
LOS ANGELES, CA 90017

September 13, 2007

Ms. Cindy Flynn, SPHR
Human Resources Manager
ColorGraphics
150 North Myers Street
Los Angeles, CA 90033-2109

Re: WorkSource California

Dear Ms. Flynn:

Thank you and the ColorGraphics team for taking time to meet with us Wednesday afternoon, September 12, 2007, to discuss your plans regarding ColorGraphics' future hiring needs. Your willingness and commitment to consider job candidates from our WorkSource System candidate pool is very much appreciated.

We look forward to working with you to customize a hiring program that best meets your business' needs. The City of Los Angeles' WorkSource California System has a broad spectrum of services designed to meet the needs of our business clients.

Our staff remains ready to serve you in becoming the solution to all of your human resources needs. Please do not hesitate to call, Linda Mims, Senior Management Analyst, at (213) 744-7175 if you have any questions regarding our services.

Sincerely,

MANNY CHAVEZ, Director
Economic and Workforce Development Division

LM:cg